

Exhibit D

In The Matter Of:
CERTAIN PERSONS ENGAGED IN FRAUD

MATTHEW CHICHESTER
February 3, 2023

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Page 1

1 UNITED STATES OF AMERICA
2 BEFORE THE
3 COMMODITY FUTURES TRADING COMMISSION

4

5 IN THE MATTER OF:)
6 CERTAIN PERSONS ENGAGED IN)
7 FRAUD AND OTHER UNLAWFUL)
8 CONDUCT WITH RESPECT TO)
9 DIGITAL ASSET TRANSACTIONS)
(C0526))

10

11 The remote examination under oath of
12 MATTHEW CHICHESTER, taken pursuant to subpoena and
13 the rules of the U.S. Commodity Futures Trading
14 Commission, reported by Mary Maslowski, CSR and
15 Notary Public, within and for the County of Cook
16 and State of Illinois, taken via videoconference,
17 with the witness located in Ada, Michigan,
18 commencing at the hour of 9:05 o'clock on
19 February 3, 2023.

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Page 2

1 A P P E A R A N C E S:
2
3 (Appearing via videoconference)
4 MR. ASHLEY J. BURDEN, Senior Trial
5 Attorney
6 MS. ELIZABETH M. STREIT, Trial Team Leader
7 MR. MATTHEW EDELSTEIN, Investigator
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9 DIVISION OF ENFORCEMENT
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13

14 On behalf of the U.S. Commodity
15 Futures Trading Commission;

16

17 (Appearing via videoconference)
18 AKERMAN LLP
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17 On behalf of Matthew Chichester.

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23 CSR License No. 084-003278.
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Page 3

1 I N D E X
2 WITNESS EXAMINATION
3 MATTHEW CHICHESTER
4 By Mr. Burden 4, 67, 116, 123,
5 168
6
7 By Mr. Edelstein 31, 104, 120, 162,
8 195
9
10

11 E X H I B I T S
12 CFTC EXHIBIT FIRST REFERENCE
13 No. 1 5
14 No. 2 5
15 No. 4 17
16 No. 5 49
17 No. 7 84
18 No. 8 57
19 No. 11 88
20 No. 12 100
21 No. 16 161
22 No. 18 183
23 No. 20 195
24 No. 22 129

Page 4

1 MATTHEW CHICHESTER,
2 called as a witness herein, having been first duly
3 sworn, was examined and testified as follows:
4 EXAMINATION
5 BY MR. BURDEN:
6 Q All right. Mr. -- is it Chichester?
7 Have I got that right?
8 A Chichester.
9 Q Chichester. Mr. Chichester, would you
10 spell your name for the record, please.
11 A Yep, it is C-h-i-c-h-e-s-t-e-r. And my
12 name is Matthew; it's M-a-t-t-h-e-w.
13 Q All right. Mr. Chichester, I'm
14 Ashley Burden. I'm joined here by Chief Trial
15 Attorney Elizabeth Streit and Investigator Matthew
16 Edelstein. We are officers of the Commission
17 for the purposes of this proceeding. This is an
18 investigation by the Commodity Futures Trading
19 Commission in the matter of In Re: Fraud Relating
20 to Cryptocurrency to determine whether there have
21 been violations of certain provisions of the
22 Commodity Exchange Act and regulations. However,
23 the facts developed in this investigation might
24 constitute violations of other federal or state

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| <p style="text-align: right;">Page 5</p> <p>1 civil or criminal laws.</p> <p>2 All right. So prior to the record</p> <p>3 we provided you through counsel with the CFTC's</p> <p>4 Statement to Persons Providing Information about</p> <p>5 Themselves, and we've marked that in your exhibits</p> <p>6 folder as CFTC Exhibit 2. Have you had the</p> <p>7 opportunity, Mr. Chichester, to review the</p> <p>8 CFTC's Statement to Persons?</p> <p>9 A Yes, I have.</p> <p>10 Q Do you have any questions about it?</p> <p>11 A No, I do not.</p> <p>12 Q All right. And are you represented</p> <p>13 by counsel here today?</p> <p>14 A Yes, I am.</p> <p>15 MR. BURDEN: All right. And would</p> <p>16 counsel for Mr. Chichester please identify</p> <p>17 themselves.</p> <p>18 MR. KELLY: Sure. Michael Kelly</p> <p>19 and Lauren Goddard of Akerman, LLP are here</p> <p>20 on behalf of Mr. Chichester.</p> <p>21 BY MR. BURDEN:</p> <p>22 Q All right. Mr. Chichester, would</p> <p>23 you be kind enough to please open CFTC Exhibit 1.</p> <p>24 A Yeah. That would be the subpoena,</p> | <p style="text-align: right;">Page 7</p> <p>1 question and it doesn't make sense or you're</p> <p>2 confused, do you promise that you'll tell me?</p> <p>3 A Yeah.</p> <p>4 Q All right. Another thing, we've</p> <p>5 got to always respond yes, no, narratively to</p> <p>6 questions, not shake our head or nod our head</p> <p>7 or something like that. That's just a reminder.</p> <p>8 I'm sure your counsel talked to you about that.</p> <p>9 We've got to be mindful not to talk over each</p> <p>10 other. This is something I'm going to do more</p> <p>11 than you, so it's a reminder as much for me as</p> <p>12 for you.</p> <p>13 Unlike a deposition, pursuant to</p> <p>14 the Federal Rules of Civil Procedure we have</p> <p>15 unlimited time with you. We've worked very hard</p> <p>16 on our outline and we've worked very hard to get</p> <p>17 the number of exhibits we need to cover with you</p> <p>18 to a minimum. We might be going -- we're going</p> <p>19 to go as quickly as I think that you will let us.</p> <p>20 If we need more time, then we will recall you for</p> <p>21 additional testimony. If we can get through it</p> <p>22 today, that would obviously be great.</p> <p>23 All right. So great, great, great,</p> <p>24 great. So, Mr. Chichester, here is what I want to</p> |
| <p style="text-align: right;">Page 6</p> <p>1 correct?</p> <p>2 Q Yeah, the subpoena that we issued to</p> <p>3 you on January 17th. Is that what you're looking</p> <p>4 at?</p> <p>5 A Yep.</p> <p>6 Q All right. Is that the subpoena</p> <p>7 pursuant to which you're appearing here today?</p> <p>8 A Yep, that looks correct.</p> <p>9 Q Okay, great. So, Mr. Chichester,</p> <p>10 I want to go over a couple of quick rules of the</p> <p>11 road for CFTC administrative testimony. Then I'm</p> <p>12 going to give you a roadmap of where we're going</p> <p>13 today so you've got an idea of the topics we're</p> <p>14 going to be looking at, and none of this should</p> <p>15 be particularly surprising. So if you need to</p> <p>16 take a break for any reason, go right ahead, or</p> <p>17 no reason at all, feel free to break. The only</p> <p>18 thing we ask is that you finish any pending</p> <p>19 question before going on a break unless, of</p> <p>20 course, you need to consult with counsel.</p> <p>21 A Okay.</p> <p>22 Q You know, I don't want to confuse you,</p> <p>23 and we're going to be dealing with spreadsheets,</p> <p>24 which is always confusing. So if I ask you a</p> | <p style="text-align: right;">Page 8</p> <p>1 do today. I want to cover first some foundation.</p> <p>2 We're going to talk about your role at iS Risk,</p> <p>3 work you might have done on the Traders Global</p> <p>4 accounts. We're going to talk very briefly about</p> <p>5 iS Risk's production, which you may or may not</p> <p>6 have been involved in. We'll find out. I want</p> <p>7 to talk about the servers that iS Risk produced</p> <p>8 data to us from as they relate to Traders Global,</p> <p>9 the AWS servers, the Nexus servers and most</p> <p>10 importantly for our purposes, the MetaTrader</p> <p>11 servers. And if we get through that broad</p> <p>12 overview, we're going to lavish attention on the</p> <p>13 data from the MetaTrader servers for the duration</p> <p>14 of the examination. And rather than break it</p> <p>15 up by spreadsheet or dataset, I think the best</p> <p>16 way to describe it for purposes of our roadmap</p> <p>17 is by topic. So we're going to focus first</p> <p>18 on a general overview, then on users and user</p> <p>19 information. Then we're going to move on to</p> <p>20 risk profiles, to customer trading data and then</p> <p>21 finally to the STP or straight-through processing</p> <p>22 related data. So does all that make sense to you?</p> <p>23 A Yes, it does.</p> <p>24 Q I knew it would. All right.</p> |

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| <p style="text-align: right;">Page 13</p> <p>1 look into that for them but usually I don't 2 have day-to-day communications with them. It's 3 just if they have an extra report they request or 4 a specific alert or something along those lines. 5 Q Got it. Well, since we're on the 6 topic, so I've seen the end-of-day reports, but 7 what are the specific reports that Traders Global 8 has requested that you've worked on, please. 9 A Yeah, sure. So -- and this is -- 10 it's all basically due to their terms and 11 conditions which they've laid out on their 12 website, but accounts aren't allowed to copy 13 trade each other or basically run the same 14 strategy. And so one report we send them is a 15 copy trade report that just shows, you know, like 16 duplicate trades that occurred at the same time 17 for them to basically review for violation of the 18 terms and conditions. 19 Similarly, there's a common problem 20 with like the industry where one client will go 21 like long Eurodollar at the same time as another 22 client goes short, so basically like one passes 23 the test and one fails it and like they're kind 24 of guaranteed to pass that way. So they have a</p> | <p style="text-align: right;">Page 15</p> <p>1 those three reports, along with the end-of-day 2 report, those are the reports that you assist in 3 generating for Traders Global? 4 A Yes, correct. 5 Q All right. So Traders Global, 6 what is your understanding of their business 7 model, if you would, please. 8 A Yeah, sure. So they provide 9 a subscription-based service where clients pay 10 a fee to pass basically trading tests based on 11 the requirements on the website. And if they 12 successfully pass it, they earn an account on the 13 live server that has, you know, capital supplied 14 to them by Traders Global that they then are 15 allowed to trade on and then keep a percentage 16 of the profits. 17 Q All right. So what's your basis for 18 that understanding, please. 19 A We host the demo server for 20 them and the live server and, yeah, just from 21 working with like the databases and also just 22 like reviewing their website is how I know that 23 information. 24 Q Got it. So when you say reviewing</p> |
| <p style="text-align: right;">Page 14</p> <p>1 reverse trader report that gets sent out to 2 them. And also similarly to the copy trading, 3 that's kind of their use of that IP report is they 4 want me to just make sure clients aren't trading 5 from -- you know, basically not having one account 6 manager managing multiple accounts. Everyone's 7 supposed to manage their own account. And so 8 those are kind of the three main reports that 9 we send them, along with like the daily report, 10 which is just kind of like high-level revenue. 11 Q Got it. Sorry. So, Mr. Chichester, 12 you referred to three reports. So we have No. 1, 13 the copy trade report, right? 14 A Yep. 15 Q No. 2, the reverse trader report? 16 A Um-hmm. 17 Q Yes? 18 A Yes. 19 Q Yes, there we go. And the third report 20 is what, please. 21 A Yes, that's a daily IP report 22 that just shows accounts trading from a common 23 IP address. 24 Q Got it, okay. All right. And so</p> | <p style="text-align: right;">Page 16</p> <p>1 their website, you've reviewed the Traders Global 2 website? 3 A Yes. Not thoroughly, but I've 4 visited it, yeah, and seen the generic outline 5 of it. 6 Q And, actually, that website is called 7 myForexFunds.com, right? 8 A Yes, correct. 9 Q Got it, got it, got it. All 10 right. So, Mr. Chichester, you talked about 11 how iS Risk hosts Traders Global's live server and 12 demo server. What do you mean by that, please. 13 A Yeah, sure. So when you purchase a 14 server from MetaQuotes, which is the company that, 15 yeah, designed and owns MT4 and MT5, you receive 16 both a live server and a demo server and we host 17 those in an environment -- a hosting environment. 18 Basically these servers are an application that 19 gets installed into, you know, program files, 20 like another similar program and then runs off 21 of a Windows service that you can then, you know, 22 restart and keep the servers running. And so we 23 work with hosting providers to host those servers, 24 and that's effectively like where the application</p> |

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| <p style="text-align: right;">Page 37</p> <p>1 is a 32-bit application and it does have like 2 memory constraints and it does get overloaded. 3 So just due to the number of accounts, they 4 require more demo servers than live servers 5 because they all start on the demo servers. 6 Q Okay. And all these servers are 7 physically located in this LD -- was it LD5 you 8 said I think, is that correct? 9 A Yes, that's correct. 10 Q Okay. 11 MR. KELLY: If I could just 12 interject quickly, you may want to look 13 at the whole spreadsheet, just to make sure 14 the record's clear, that you see all the 15 databases you're asking about. 16 THE WITNESS: I mean, yeah, it 17 looks accurate. 18 MR. KELLY: I just wanted to make 19 sure the record was clear on that, that he 20 looked at everything. 21 BY MR. EDELSTEIN: 22 Q Okay. So what is MetaTrader? 23 Could you describe for me, you know, what it is, 24 what it does, to the best of your understanding?</p> | <p style="text-align: right;">Page 39</p> <p>1 see like the depth for when you click on it like 2 for volume for different pricing, but for MT4 they 3 don't have that by default. 4 Q Okay. And what types of products can 5 you trade on MT4 and MT5? 6 A To my knowledge, anything you 7 can basically get a price feed for. They have 8 various configurations, such as like CFD futures 9 and FX. And so as long as you can basically get 10 them to calculate correctly, they should be 11 tradable. But, yeah, generally the most common 12 ones, it's just forex, you know, basically the 13 majors. Some do provide shares or stocks or 14 equities, however you want to refer to it. Some 15 offer crypto and then, you know, CFDs, which is 16 usually the indices or oil or the products like 17 that, and those are the most common for the 18 industry. 19 Q Okay. So I think it would be 20 helpful to go through those in a little more 21 detail. When you say forex, what do you mean? 22 Are you talking about cash forex or are you 23 talking about -- 24 A I'm talking about spot forex,</p> |
| <p style="text-align: right;">Page 38</p> <p>1 A Yeah, no problem. So MetaQuotes 2 is the company that owns MetaTrader and typically 3 we just refer to it as MT4 or MT5. They're 4 technically two different applications. MT5 is 5 the newer one. They came out with it to be more 6 of a multi-asset platform that's more compatible 7 with shares and other instruments. There's 8 just more functionality there. They also kind 9 of beefed it up so it didn't have the memory 10 constraints that MT4 has. It's more or less 11 the newer version, but MT4 is still very popular 12 with clients and so most brokers we work with 13 end up having both a MetaTrader 4 server and 14 a MetaTrader 5 server. 15 Q And earlier you had said that when 16 a TGG customer is using MetaTrader, they see the 17 best bid and the best offer price. Is that how it 18 works for everyone who's using MetaTrader -- 19 A To the best of my -- 20 Q -- or is that specific -- 21 A Well, to my understanding, I mean, 22 yeah, there's just one market watch that shows the 23 symbol and the price. I believe you can configure 24 MT5 where, like you were saying, I think you can</p> | <p style="text-align: right;">Page 40</p> <p>1 so Euro/dollar, pound/dollar, dollar/yen. 2 Basically the common traded currencies. 3 Q And are those traded with leverage? 4 Are they futures? Are they -- 5 A Yeah. 6 Q -- what exactly? 7 A Yeah. It's typically traded with 8 leverage where the clients post margin for it. 9 Q Okay. And are there standard, 10 you know, contract sizes or does it, you know, 11 depend on your liquidity provider? 12 A I will say for currencies the standard 13 contract size is 100,000. That's basically almost 14 the only thing people use. For the other products 15 it can differ depending on the liquidity provider 16 and also just how they want to configure their 17 platform. 18 Q Okay. So that's the -- and aside 19 from forex, you mentioned shares. Are you talking 20 about individual, you know, equity securities? 21 A I'm talking about, yeah, Amazon 22 or Google or, yeah, products along those lines. 23 Q Okay. And what -- aside from 24 forex and shares, generally are there other types</p> |

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| <p style="text-align: right;">Page 41</p> <p>1 of products that MetaTrader offers trading in?</p> <p>2 A Yeah. CFDs, which is usually</p> <p>3 like if you wanted to trade the Dow or, you</p> <p>4 know, the German 30 or an index such as that,</p> <p>5 those are typically what is provided with CFDs.</p> <p>6 Also like spot oil and like Brent, there's other</p> <p>7 products like that. Gold is another -- I mean,</p> <p>8 metals is another product that's commonly traded.</p> <p>9 It's usually just gold and silver because those</p> <p>10 are spot products that usually you can get from</p> <p>11 the same liquidity provider that provides</p> <p>12 currencies.</p> <p>13 Q And what does CFD stand for?</p> <p>14 A Contact -- or contract for difference.</p> <p>15 Q And what does that mean?</p> <p>16 A Basically -- yeah, it's a tough thing</p> <p>17 to explain off the top of my head, but it's more</p> <p>18 or less just a tradable product. But that's what</p> <p>19 it's referred to when it's, you know, not usually</p> <p>20 a currency and it's another product. But, yeah,</p> <p>21 I'd probably struggle to give like a really good</p> <p>22 definition.</p> <p>23 Q And to the best of your knowledge,</p> <p>24 are these all cash-settled instruments?</p> | <p style="text-align: right;">Page 43</p> <p>1 Q Okay. And who has access to these</p> <p>2 MetaTrader servers?</p> <p>3 A Generally our infrastructure teams.</p> <p>4 Q Okay. Does Traders Global have access</p> <p>5 to these servers?</p> <p>6 A Where the actual like application</p> <p>7 like lives, like where the actual program is</p> <p>8 running, we have given access to some of our</p> <p>9 clients. I am unsure if we've given it to Traders</p> <p>10 Global, but that is something we have provided</p> <p>11 before.</p> <p>12 Q Okay. Back to the question of the</p> <p>13 live servers and the demo servers.</p> <p>14 A Yep.</p> <p>15 Q What does live mean for Traders</p> <p>16 Group Global?</p> <p>17 A So MetaQuotes like marks their</p> <p>18 servers as demo and live because they don't</p> <p>19 want you using a demo server for production,</p> <p>20 more or less, so that's why I referred to them</p> <p>21 that way. But in the specific case of Traders</p> <p>22 Global demo refers to the -- I believe on their</p> <p>23 website they call it like Phase 1 and Phase 2.</p> <p>24 It's more or less like the trial accounts where</p> |
| <p style="text-align: right;">Page 42</p> <p>1 A Yes, I believe so.</p> <p>2 Q Okay. So these MetaTrader servers</p> <p>3 that are used by TGG, who actually owns them?</p> <p>4 A Well, so TGG would be the one paying</p> <p>5 MetaQuotes for the servers. So I would say, yeah,</p> <p>6 they have ownership.</p> <p>7 Q Okay. So they essentially purchase</p> <p>8 the server to use with MetaTrader. And then is</p> <p>9 there some kind of like ongoing licensing fee to</p> <p>10 keep that server in operation?</p> <p>11 A Yeah, I'm -- I know it's a</p> <p>12 one-time fee. And when I say -- there's maybe</p> <p>13 some slight confusion between like server and</p> <p>14 like the MetaTrader application. So what you're</p> <p>15 actually buying is like the trading platform from</p> <p>16 MetaQuotes but then we, you know, we supply like</p> <p>17 the hosting servers where that actually like sits</p> <p>18 on. But like to actually have -- like if you want</p> <p>19 to be a broker that provides MetaTrader, you're</p> <p>20 buying the MT4 application from MetaQuotes and,</p> <p>21 yeah, it's usually a one-time fee. I'm not</p> <p>22 really sure if there's a yearly fee at this point.</p> <p>23 They've adjusted their billing structures quite</p> <p>24 a few times over the years.</p> | <p style="text-align: right;">Page 44</p> <p>1 you're trying to pass the trading test, and</p> <p>2 then the live server would be where the actual</p> <p>3 like account where you're eligible for sharing in</p> <p>4 your trade profits is created.</p> <p>5 Q Okay. So it sounds like you're</p> <p>6 saying the live server is for the customers</p> <p>7 who have passed the test, you know, the trading</p> <p>8 test that is provided on the Traders Group Global</p> <p>9 service, and then they're funded I guess is</p> <p>10 another term that's used?</p> <p>11 A Yes, that's accurate.</p> <p>12 Q Okay. So how does someone</p> <p>13 actually transition from the demo server to</p> <p>14 the live server? You know, who determines like,</p> <p>15 you know, it's time for that person to do that?</p> <p>16 A Yeah. It's all automated but, yeah,</p> <p>17 I'm not very like privy to that process. It's</p> <p>18 either done through like something through their</p> <p>19 website or, yeah, or another piece of technology.</p> <p>20 I just know it's automated but, yeah, I don't know</p> <p>21 the specifics of how, yeah, it all ends up like</p> <p>22 opening up that way.</p> <p>23 Q Okay. Do you know, does a customer</p> <p>24 get like a new account number or is it just that</p> |

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| <p style="text-align: right;">Page 45</p> <p>1 they, you know, get moved to this different 2 environment? 3 A It's a new account number on the 4 live environment. To elaborate, most companies 5 are -- with multiple trade servers, including demo 6 and live, are very careful not to have an overlap 7 in number sequences just because it creates a 8 headache for their CRMs and their websites. 9 So they are issued like a brand new account 10 with a different account number when they go 11 to the live server. 12 Q Okay. So it's an automated 13 process to pass the test and then if you pass 14 the test, you get moved to this new environment. 15 Then you're given a new account number and that 16 is also, to your knowledge, an automated process? 17 A Yep. 18 Q Okay. So on the demo server 19 is there a counterparty to any of these trades 20 or is it a completely simulated environment? 21 A It's a completely simulated 22 environment. To my knowledge, I don't think 23 they've STP'd a single trade on the demo server. 24 Q Okay. And how about on the live</p> | <p style="text-align: right;">Page 47</p> <p>1 mean they are automatically STP'd. 2 Q Okay. Just before we move away 3 from the servers and the production lists, I 4 just have one more question about it. There's one 5 server, the demo_mt4_04 server. It doesn't seem 6 to have any data, or at least, you know, nothing 7 of substance. Is there a reason for that? 8 A Yeah, I believe they just haven't 9 started onboarding customers there. I believe 10 they just proactively purchased that for when 11 their first three servers start to run out of 12 room. But, yeah, to my knowledge, I don't think 13 any customers have been onboarded there yet. 14 Q Okay. And it seems like MT5 15 servers, there's generally not as much volume. 16 Could you help me understand why that might be? 17 A That platform was introduced later for 18 them. I can't recall the date. I believe it was, 19 you know, four or five months ago or something, 20 but it's also just a less popular platform in the 21 industry. Clients generally prefer MT4 over MT5, 22 and it's not uncommon in our industry to have 23 lower volumes and lower activity on MT5 instead 24 of MT4.</p> |
| <p style="text-align: right;">Page 46</p> <p>1 server? 2 A Yeah, on the live server they 3 have both accounts on B book and A book. And 4 when I say A book, I'm referring to the trades 5 being STP'd. 6 Q Okay. So A book means that 7 a trade is going to a third-party counterparty, 8 is that right? 9 A Yes. 10 Q And what does B book mean? 11 A That means it's internalized 12 on the platform in the same way. That's how 13 all the demo orders are processed. 14 Q Okay. So if you're on the live 15 environment, you passed the test and you're 16 now a funded trader, help me understand. Your 17 trades, is it -- are they always going to be 18 STP'd, you know, because when I think of the word 19 live, I think of, you know, like a real market -- 20 A Um-hmm. 21 Q -- or is it sometimes going to be 22 B booked? 23 A It's sometimes B booked, sometimes 24 A booked. It's -- on the live server it does not</p> | <p style="text-align: right;">Page 48</p> <p>1 Q Despite MT5 being like the newer 2 enhanced version, it just hasn't really caught on? 3 A Yeah. I think MT -- or MetaQuotes 4 has been a bit disappointed in that. Ultimately 5 if you're a trader, I feel like you get 6 comfortable with a platform you like and you're 7 pretty hesitant to change, especially when your 8 financial livelihood is involved. 9 Q And just one more thing before 10 moving on. So I just want to clarify that the 11 term A book is equivalent to STP, which means that 12 a trade is passed on to a third-party counterparty 13 and B book means -- would you just clarify exactly 14 what that means? 15 A Yeah. B book means it does not go 16 to a counterparty. It -- the trade is basically 17 the live, the duration of -- that's just within 18 the platform. It's internalized it. I guess you 19 could say it effectively goes nowhere. 20 Q So what happens? I mean, if 21 the trade is internalized, does that mean that 22 Traders Group Global essentially has the opposite 23 position from the trader who executed the trade? 24 A I would say that would be true</p> |

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| <p style="text-align: right;">Page 49</p> <p>1 if it was the customer's own money that they 2 had deposited. But, yeah, generally speaking, 3 yeah, when a client is B book in the FX industry, 4 it would mean the broker is taking the opposite 5 side of it. 6 Q Okay. So I'd like to take a look 7 at Exhibit 5 now. 8 A One moment, please. Sorry about that. 9 I am not great with Mac computers. I typically 10 use Windows. 11 Q No problem. 12 A Okay. I have it up now. 13 Q Okay. So could you tell me what 14 we're looking at? What is the MT4 users file? 15 A Yep, sure. So MetaQuotes when you 16 purchase an MT4 trading application -- notice I'm 17 saying application now instead of server because, 18 yeah, it's important to differentiate. Normally 19 when you say server, it could be like where it's, 20 you know, actually sitting. I'm referring to 21 the application. But, anyway, they provide an 22 application called the report server and what 23 that does is it takes all of the data from the 24 platform and dumps it to these default tables</p> | <p style="text-align: right;">Page 51</p> <p>1 will get updated. It's not always exactly in 2 real time. I think sometimes -- I think -- it's 3 outside of my area of expertise, but I'll explain 4 to the best of my knowledge. It more or less 5 waits for, you know, an adequate amount of data 6 before it runs an update but it's usually within, 7 you know, I would say less than a minute. But, 8 you know, whenever there's something that occurs 9 where these values change, let's say they change 10 a client's group, let's say they update their 11 address, then, yeah, this table will be updated 12 by that report survey application that MetaQuotes 13 provides. 14 Q Okay. So it looks like there 15 are entries -- and I'm just inferring, you 16 know, based on some of the values I see -- but 17 it looks like there are entries in this table that 18 correspond perhaps to customers and to, you know, 19 admins or managers -- 20 A Yep. 21 Q -- that seems to relate to the 22 group column. Could you tell me just what that 23 group column is? 24 A Yeah, absolutely. So the group</p> |
| <p style="text-align: right;">Page 50</p> <p>1 that they generate. So MT4 trades and MT4 users, 2 in this case you're referring to MT4 users, those 3 are all default values generated by the MetaQuotes 4 reporter server application and it's effectively 5 a dump of the information from the MetaTrader 4 6 platform. 7 Q Okay. So is this file, MT4 users, 8 is one of these created every day or does this 9 file kind of get updated as time progresses? 10 A It gets updated. So when you set 11 up the report server, it automatically generates 12 these tables in the MySQL database location that 13 you specify. And those tables, you know, they're 14 constantly updated but, yeah, they're never newly 15 created. They're just basically created on 16 initial setup and then they get updated. 17 Q Okay. So how do they get updated 18 or how -- 19 A It's the -- yeah, sure. It's the 20 report server application that's doing it. It 21 runs like syncing and it communicates with the 22 MetaTrader 4 application and then it just -- it 23 writes the data. If a client deposits money, 24 there's a balance field in this MT4 users that</p> | <p style="text-align: right;">Page 52</p> <p>1 column -- so you can change these in both the 2 MT4 manager application, which is basically the 3 broker side, you know, kind of run your brokerage 4 application. There's also an admin, which is 5 more like symbol configuration stuff. But both 6 of those you can change a client's group in. 7 Manager, which you'll see at the top of this 8 exhibit, that's more or less a login for people 9 that are allowed to log into that MT4 manager 10 and basically see like the overall trades flowing 11 and things like that. But then there's other 12 groups like data center, we've been over those. 13 Those actually require like a login to have like 14 the server communicate with each other. That's 15 what that group's for. And then like you'll 16 see various like TGG-CON groups and stuff like 17 that. Those are different groups that they will 18 put clients into. And like the base currency 19 of an account, so if they're funding in USD 20 or pound/dollar, that's configured on a group 21 level too. So it's basically the type of like 22 access and, you know, kind of how they're working 23 with the servers, what those groups are for. 24 Q Okay. So the groups are created --</p> |

Page 65

1 potentially having additional column headings
2 for the user spreadsheet, is that right?
3 **THE WITNESS:** Yeah. If you'll
4 allow me to look at Exhibit 21, it looks
5 like you have there -- and I could verify
6 for sure -- but, you know, some stuff like
7 login. I know like groups is technically --
8 there's -- so MT5 introduced an accounts
9 table as well where you have to kind of
10 reference that a little bit too. They did
11 kind of split up the information a little
12 bit differently so there is a lot of overlap.
13 But, yeah, there are ultimately like
14 different columns with MT5 users versus
15 MT4 users.
16 **MR. BURDEN:** Well, let me just --
17 the question I wanted to ask -- and thank
18 you for that. It's tremendously helpful.
19 But do the column headings that are the same
20 in MT4 and MT5 user tables, do they mean the
21 same thing in both tables?
22 **THE WITNESS:** Yeah, usually. And,
23 you know, we provided a data dictionary
24 for both like where MetaQuotes lists exact

Page 66

1 definitions. But like login, yes, that's
2 going to be exactly the same, group's going
3 to be the same, REGDATE should be the same.
4 So, yeah, I'm not aware of them like just
5 changing names. Like the -- it should be
6 the same.
7 **MR. BURDEN:** Got it. Sorry, Matt.
8 Back to you.
9 **BY MR. EDELSTEIN:**
10 **Q** I think we were pretty much done.
11 I'm just looking at this one thing. I wanted
12 to just make sure that I ask you what is your
13 understanding of the column leverage.
14 **A** Yeah, that's the account leverage
15 there on -- so like it says 200. That would
16 indicate 200 to 1, which I believe the math is
17 half a percent or if they're on 100 to 1, that
18 would indicate they're on a 1 percent leverage.
19 **MR. EDELSTEIN:** Okay. All right.
20 Ash, I think we're all set on this table.
21 So perhaps now would be a good time to take
22 a little break.
23 **MR. BURDEN:** Great. Well, let's
24 break, if we could, and could we come back

Page 67

1 at 10:40?
2 **MR. KELLY:** Yes, that will work.
3 **MR. BURDEN:** All right. Thanks
4 very much. Could we go off the record,
5 please, Mary.
6 (Whereupon a recess was taken
7 from 10:26 a.m., to 10:45 a.m.,
8 after which the following
9 proceedings were had:)
10 **MR. BURDEN:** Back on the record.
11 **FURTHER EXAMINATION**
12 **BY MR. BURDEN:**
13 **Q** All right. So, Mr. Chichester,
14 I want to go over a couple of things with you
15 that my colleague summarized for me off the record
16 just to make sure I got it all straight. So the
17 MetaTrader servers that Traders Global has can
18 really be divided into two categories. There are
19 the live servers and the demo servers, is that
20 right?
21 **A** Yep.
22 **Q** All right. And so the ones that
23 are labeled `isra_tradersglobaldemo 1 through 4`,
24 you know, those are the MetaTrader 4 demo servers,

Page 68

1 right?
2 **A** Yep.
3 **Q** And there's one demo server for
4 MT5, right?
5 **A** Yeah, correct.
6 **Q** And that's because nobody likes MT5,
7 right?
8 **A** To put it loosely, yeah, kind of.
9 **Q** All right. MT4 is just the more
10 popular product, right?
11 **A** Yep.
12 **Q** All right. So these demo servers,
13 these are servers where Traders Global's customers
14 are trading until they pass the trading test,
15 is that right?
16 **A** Yeah, that's correct.
17 **Q** All right. And once a customer
18 of Traders Global passes that test, they are
19 assigned a new account number and they then
20 trade on the "live server," which is titled
21 `isra_tradersglobal_mt4_01`, correct?
22 **A** Yes, that is correct.
23 **Q** All right. So the customers on
24 the live server, with the exception of a small

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| <p style="text-align: right;">Page 69</p> <p>1 number of traders who are STP'd, the majority 2 of those customers are B booked, is that fair 3 to say? 4 A Yeah, that is fair to say. 5 Q And B booked means what, please. 6 A We also refer to it as being 7 internalized, but basically the lifetime of 8 the trade is just within the platform. It never 9 goes to a counterparty. All the processing and 10 stuff is just within the MetaTrader application. 11 Q Got it. So if the trade never 12 goes to a counterparty on those live servers, 13 who does it go to? 14 A I guess you would consider 15 Traders Global the counterparty, like taking 16 the other side of it. I think it's a little murky 17 with like them, like Traders Global also supplying 18 like the funds for these accounts. But, yeah, I 19 mean, ultimately it's basically the broker taking 20 the opposite side and taking the risk against 21 the account. 22 Q But when you say broker, you're 23 referring here to Traders Global, right? 24 A Yes, yeah. When I say broker, yeah,</p> | <p style="text-align: right;">Page 71</p> <p>1 servers licensed by -- strike that. I think I 2 just said it wrong. Are those MetaTrader servers, 3 are they licensed by Traders Global? 4 A Yeah, I believe so. I believe they 5 were purchased from MetaQuotes, the actual like 6 MetaTrader application form. 7 Q Got it. And iS Risk can log into those 8 MetaTrader servers, right? 9 A Yeah, to -- just to kind of 10 clarify, yeah, like the application, like 11 which actually does like all the trading, the 12 actual program that gets installed, that's what's 13 purchased from MetaQuotes. But then there's like 14 a hosting environment which you could also like 15 call a server, and that's like we help supply the 16 hosting environment for like that application 17 to be installed on, if that helps clarify. 18 Q So when you say hosting environment, 19 is that like a big computer that exists somewhere? 20 What is that? 21 A Yeah, it's a big computer somewhere 22 where it's just physically installed. And, yeah, 23 it's another company that we purchase that like -- 24 that lease from or, yeah, I'm not sure of the</p> |
| <p style="text-align: right;">Page 70</p> <p>1 I mean Traders Global. 2 Q All right. So you just now 3 talked about it being a little bit murky 4 because Traders Global supplies the funds. The 5 funds you're referring to that the customers get, 6 where are those funds maintained? 7 A I'm not sure on the Traders 8 Global side. It's -- yeah, I just see it kind 9 of like de-balanced in the MT4 trade server, but 10 ultimately that's not the client depositing that 11 money. It's -- ultimately I guess you would say 12 it belongs to Traders Global. 13 Q It sounds to me like Traders Global 14 doesn't deposit money for clients to trade. It 15 sounds like the funds that the customers are 16 trading are sort of a book entry. Have I got 17 that right? 18 A Yeah. I don't know what they do 19 on their own back end, but that would probably be 20 my understanding of it. 21 Q Got it. And the Traders Global servers 22 you said are in London? 23 A Yeah, they're in LD5. 24 Q And are those Traders Global</p> | <p style="text-align: right;">Page 72</p> <p>1 company off the top of my head. But, yeah, that's 2 kind of how the infrastructure works. 3 Q Okay. So I'm a little bit confused 4 then as to what happens in London. 5 A Okay, yeah. 6 Q What happens in London? 7 A It's just the -- that's where 8 the computer that the MetaQuotes application 9 is installed on. It's just like that, you know, 10 virtual -- they call it a virtual machine. But, 11 yeah, that's basically where the actual trade 12 server I guess you would say is installed. 13 Q Got it. So the hosting environment 14 that you described, do you know where that is, 15 where those computers are located? 16 A Yeah. All I know is it's LD5, 17 but it's a very common location for a lot of 18 like trade server hosting. I think if you Googled 19 it, it would probably be a top search with the 20 address and everything. 21 Q Okay. So iS Risk can log into these 22 computers that run the MetaTrader application for 23 Traders Global, right? 24 A Yes, correct.</p> |

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| <p style="text-align: right;">Page 73</p> <p>1 Q So when iS Risk is doing that, 2 when their people are doing that, where are 3 they doing that? 4 A We're using like an RDP session 5 to remote into that basically, quote, server 6 in London to, yeah, basically get in there and 7 operate it and really -- go ahead. 8 Q When you guys at iS Risk are 9 logging onto the servers that run the MetaTrader 10 application for Traders Global, you're doing that 11 in Michigan, right? 12 A Yeah. 13 Q And so I want to switch gears 14 and go back to this live versus demo server 15 a bit, if we could. So when a customer passes 16 his or her trading evaluation on the demo server 17 and then gets to trade on the live server, that 18 happens automatically, right? 19 A Yeah, correct. 20 Q So is there a computer program that 21 does that? Like how does that happen? 22 A Yeah, there's a -- I'm not sure 23 which one it is but it's something that Traders 24 Global pays for and I believe it coordinates with</p> | <p style="text-align: right;">Page 75</p> <p>1 data in it. Do you know why that is, please. 2 A Yeah, it's because they kind of set 3 that up proactively ahead of time in preparation 4 for -- ultimately these servers do kind of run 5 out of room. So it's just to be scaleable in case 6 their Demo 1 through 3 gets kind of up to capacity 7 and they need to start onboarding to Demo 4. But, 8 yeah, to my knowledge, I don't think they've 9 opened up any accounts there yet. 10 Q Got it, thanks. And I know I'm 11 jumping around a little. You'll have to forgive 12 me. You had talked a little bit about leverage 13 that are applied to these accounts. Does every 14 customer account have leverage applied to it? 15 A To my knowledge, yes. We've gone 16 over the MT4 users table and there is a Column V, 17 Leverage, and that indicates what leverage the 18 account was on. 19 Q And who decides what leverage an 20 account is on? 21 A That's up to Traders Global and 22 I believe it gets set on the account opening. 23 So kind of when they pass the trading test on the 24 account opening, they get put into a group and the</p> |
| <p style="text-align: right;">Page 74</p> <p>1 their website to, you know, track the account 2 opening and all the different things, but I'm not 3 familiar with the program. It's just something 4 that, you know, happens automatically that Traders 5 Global pays for. 6 Q Do you know who they pay? 7 A I know they used Forest Park 8 for a lot of their technology, and I believe it's 9 them that helps with that. 10 Q Forest Park? 11 A Yes. 12 Q That's the name of a company? 13 A Yeah. 14 Q Are you aware of the -- do you 15 know anybody who works there or the names of 16 the principals? 17 A I do not. 18 Q Do you know where Forest Park is 19 located? 20 A I believe it might be Florida but, 21 yeah, I do not know for certain. I don't have a 22 lot of interaction with them. 23 Q Got it. So we noticed that the MT4 24 Demo 4 server doesn't really have much, if any,</p> | <p style="text-align: right;">Page 76</p> <p>1 leverage is assigned at that time. 2 Q Got it. And the contracts that 3 are being traded by customers at Traders Global, 4 are they cash settled? 5 A I'm not sure if I can answer 6 that accurately. I believe they are but, yeah, 7 I don't -- I'm not super familiar with that term, 8 so I'm not sure. 9 Q Okay, I'll tell you what. Well, 10 let me ask you this way, right? So one of the 11 products that, you know, you can see traded by 12 Traders Global customers is like a dollar/bitcoin 13 pair, right? 14 A Um-hmm. 15 Q Yes? 16 A Yeah, correct. 17 Q Very good. Would you be kind 18 enough, please, instead of saying like yup just 19 to say yes? I understand yup. I say it myself. 20 Occasionally I just grunt. But for the record, 21 if you would, please. Thank you. 22 So the U.S. dollar/bitcoin pair, 23 if a customer enters into such a contract, if 24 they go long on bitcoin, when they close out the</p> |

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| <p style="text-align: right;">Page 77</p> <p>1 contract is somebody going to give them bitcoin? 2 A No, it would be converted by 3 the MT4 platform to USD or whatever the base 4 currency of the account is. I believe all of 5 their live accounts are in U.S. dollars. But, 6 yeah, that does -- I kind of see what you're 7 saying. Yes, that does -- basically adjusts the 8 balance and convert it to U.S. dollars right away. 9 Q Got it. So to ask the question a 10 different way, to your knowledge with respect to 11 the various commodity contracts that are traded by 12 Traders Global's customers, do they ever actually 13 get that commodity delivered to them? 14 A No. 15 Q All right. And when Traders 16 Global customers are trading, buying and selling, 17 do any of those trades, do any of them go to an 18 exchange? 19 A If they're on STP, yeah, they 20 will typically going to CDO, which I referred 21 to as a liquidity provider. I believe, yeah, you 22 would refer to it as probably an exchange as well. 23 Q I don't know that I would. 24 A Okay. That could be --</p> | <p style="text-align: right;">Page 79</p> <p>1 their orders go, to a greater or lesser extent, 2 to a firm called CDO Markets, right? 3 A Yes, correct. 4 Q What is CDO Markets? 5 A I'm not too familiar with them 6 because not many of our other clients use them. 7 Before they -- myForexFunds moved from to use 8 us hosting their servers and helping them with 9 technology, that's who they were using and they've 10 just been using them since. But to be honest, I'm 11 not overly familiar with them as a company other 12 than them providing pricing and having a margin 13 account where you can clear trades at. 14 Q Got it. Well, I won't ask you 15 a lot more detailed questions about CDO Markets, 16 though. Have you ever talked to anybody over 17 at CDO Markets? 18 A I have not. I just know they 19 have a margin account there. But, yeah, Traders 20 Global's never given us access or any information. 21 I have no idea even how much money they have 22 there. 23 Q Got it. So you just said that you 24 referred to CDO Markets as a liquidity provider.</p> |
| <p style="text-align: right;">Page 78</p> <p>1 Q But, no, but I'm -- I don't take 2 any issue with your answer. I just can't commit 3 to characterizing CDO markets that way. 4 A Okay. 5 Q So is it fair to say that for 6 customer trading that is not in the category 7 of STP -- well, let me ask this a different way. 8 I'm sure your able counsel is shaking their heads 9 at my questions but too polite to do it in a way 10 that I can see. But -- 11 MR. KELLY: No, we're fine. 12 BY MR. BURDEN: 13 Q For customers who are trading on the 14 live server, other than those on STP, are those 15 trades sent to an exchange? 16 A No. I would say they're -- we've 17 referred to the term internalized but, yeah, they 18 do effectively kind of go nowhere. 19 Q Got it. So let's talk a little 20 bit about CDO markets. You mentioned that 21 customers who were on STP -- and that stands for 22 straight-through processing, right? 23 A Yes. 24 Q So customers who are on STP,</p> | <p style="text-align: right;">Page 80</p> <p>1 What does that mean, please. What is a liquidity 2 provider? 3 A To me in the industry, I refer 4 to that as a company that provides pricing to 5 trade on. 6 Q Got it. All right. And you 7 know what would be great? You talked about the 8 industry. What is the industry? If we were in 9 an elevator and I was like, hey, what industry are 10 you in, what would you say, please. 11 A I would probably say the forex 12 industry. So foreign exchange and primarily 13 referring to the trading of currencies and gold. 14 Q Got it. All right. So these 15 customers of Traders Global, when they see 16 pricing, that pricing comes from CDO Markets, 17 correct? 18 A I'd have to check with the bridge 19 team because I know they've been in the process 20 of trying to paper with iS Prime. But, yeah, I do 21 know it was -- should have been CDO at the time of 22 this. 23 Q Got it. And when customers of 24 Traders Global are, you know, they're logged</p> |

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| <p style="text-align: right;">Page 89</p> <p>1 side there's a login number. Do you see that?</p> <p>2 A Yes.</p> <p>3 Q So is that login number the same</p> <p>4 login number that we would see on the MetaTrader</p> <p>5 live server users spreadsheet?</p> <p>6 A Yes, correct.</p> <p>7 Q Got it. And for each of these</p> <p>8 accounts, Column B that says Book shows what</p> <p>9 profile the customer or the account was assigned</p> <p>10 to at the time that this was produced by iS Risk?</p> <p>11 A Yes.</p> <p>12 Q Got it, okay. So this reflects</p> <p>13 that there are five profiles, or at least there</p> <p>14 were five profiles when this was produced by</p> <p>15 iS Risk and those profiles are 100%STP, 30%STP,</p> <p>16 Flat Scalping, Scalping and Scalping 2. Have</p> <p>17 I got that right?</p> <p>18 A Without me doing a like remove</p> <p>19 duplicates and, you know, in this spreadsheet</p> <p>20 I can't say for certain but, yes, that does sound</p> <p>21 accurate.</p> <p>22 Q Okay. I mean, if you want to do</p> <p>23 it, just add a filter and then, you know, click</p> <p>24 on the filter and you'll see that those are the</p> | <p style="text-align: right;">Page 91</p> <p>1 of the order but not be liable for 30 percent</p> <p>2 of the profit change at CDO.</p> <p>3 Q Got it. So what is -- well,</p> <p>4 I guess you've explained it. For the sake of</p> <p>5 the record, if you'd be kind enough to please</p> <p>6 explain what is the -- like why would Traders</p> <p>7 Global -- let me ask it different.</p> <p>8 Do you have an understanding of why</p> <p>9 Traders Global wants for certain customers all of</p> <p>10 their orders to go to CDO?</p> <p>11 A I would assume it's because they</p> <p>12 expect them to remain consistently profitable,</p> <p>13 and so it's their way of managing risk on their</p> <p>14 books.</p> <p>15 Q Got it. And what's your basis for</p> <p>16 that understanding?</p> <p>17 A Because ultimately the money that</p> <p>18 these accounts are trading on, or the book entry</p> <p>19 as we termed earlier, when it gets sent to CDO</p> <p>20 that's, you know, their money that they post at</p> <p>21 CDO. So if they send a trader there and the</p> <p>22 trader loses 30 grand, CDO -- or Traders Global</p> <p>23 would then lose 30 grand and vice versa as far</p> <p>24 as profit as well.</p> |
| <p style="text-align: right;">Page 90</p> <p>1 five unique entries.</p> <p>2 A Yep, that looks correct to me.</p> <p>3 Q Very good, thank you. So are you</p> <p>4 familiar with these profiles, what they mean, what</p> <p>5 they do for Traders Global?</p> <p>6 A I have a general idea, but I'm</p> <p>7 not familiar with the exact settings of each one.</p> <p>8 But, yes, I do have a general idea.</p> <p>9 Q Got it, okay. So let's see</p> <p>10 how far we can go with your general idea. So the</p> <p>11 100%STP profile, what does that do, please.</p> <p>12 A Yeah, that would mean 100 percent</p> <p>13 of the order is sent to CDO. So if they trade</p> <p>14 100,000 in Eurodollar, which what their contract</p> <p>15 says, that would be 1 MT4 lot. That would mean,</p> <p>16 you know, 100,000 was sent to CDO. Similarly, the</p> <p>17 30%STP would be a percentage of that. So if they</p> <p>18 traded 100,000, 30,000 would be sent.</p> <p>19 Q So what's the purpose of sending</p> <p>20 30 percent of a customer's orders to CDO Markets?</p> <p>21 Like do you have an understanding of why Traders</p> <p>22 Global does that?</p> <p>23 A My understanding would be they still</p> <p>24 want to more or less take risk against 70 percent</p> | <p style="text-align: right;">Page 92</p> <p>1 Q So -- and I guess I should have</p> <p>2 asked. The profiles themselves, 100%STP, 30%STP,</p> <p>3 Scalping, Flat Scalping, Scalping 2, who came</p> <p>4 up with these?</p> <p>5 A This was under the guidance</p> <p>6 from Traders Global, Josh if I'm going to be</p> <p>7 specific. And we're pretty good about having them</p> <p>8 send us an email with the instructions for what</p> <p>9 configurations they want but, you know, generally</p> <p>10 speaking, Traders Global gave us the parameters</p> <p>11 for these.</p> <p>12 Q So the Scalping and Scalping 2,</p> <p>13 what do they do, please.</p> <p>14 A There are -- so per the instruction</p> <p>15 for Traders Global, they do have us send them</p> <p>16 a daily alert that lets them know like clients</p> <p>17 who have an average trade time that's held for</p> <p>18 less than two minutes. And then, yeah, the</p> <p>19 instruction is to assign them to a scalping</p> <p>20 profile which has a slight delay on the execution</p> <p>21 to make sure they're not taking advantage of</p> <p>22 deficiencies with the MT4 platform and its</p> <p>23 pricing.</p> <p>24 Q Got it. So what's the difference</p> |

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| <p style="text-align: right;">Page 93</p> <p>1 between Scalping 1 and Scalping 2?</p> <p>2 A I'm not sure off the top of my</p> <p>3 head, but I believe it's the next exhibit, the</p> <p>4 risk without the underscore between profiles like</p> <p>5 where it's all one word. And that does actually</p> <p>6 show what the settings are of these profiles.</p> <p>7 Q Got it. I mean, is it fair to say</p> <p>8 that one of the scalping profiles sort of imposes</p> <p>9 more delay than the other?</p> <p>10 A Yeah, that is likely the case.</p> <p>11 Q Okay. And do the scalping profiles</p> <p>12 also include slippage settings?</p> <p>13 A I'd have to look at the profile,</p> <p>14 but they're -- I believe one of them does have</p> <p>15 basically volume tiers. It's to -- that depth</p> <p>16 we talked about earlier. It's to simulate that</p> <p>17 where if they trade above -- I'm just using an</p> <p>18 example but let's say 10 lots in Eurodollar.</p> <p>19 Yeah, I believe there's a price adjustment in</p> <p>20 the profile to simulate that depth of market.</p> <p>21 Q Got it. You mentioned just</p> <p>22 now that the scalping profiles inject a delay</p> <p>23 or delay execution of customer orders, is that</p> <p>24 right?</p> | <p style="text-align: right;">Page 95</p> <p>1 latent rates is the purpose for them.</p> <p>2 Q Got it. So is it fair to say that</p> <p>3 these scalping profiles with their delays are</p> <p>4 designed to prevent customers from engaging in</p> <p>5 arbitrage between the prices they're seeing, you</p> <p>6 know, on their Traders Global login and prices</p> <p>7 that may exist elsewhere in the world?</p> <p>8 A Yeah, I think that's a good</p> <p>9 summarization of that.</p> <p>10 Q Okay. So the scalping profiles</p> <p>11 with the delays, are they only sort of in effect</p> <p>12 at times when there's news or times when there's</p> <p>13 a lot of trade volume on the MetaTrader servers?</p> <p>14 A It is possible to configure some</p> <p>15 of these settings based on time of day. But</p> <p>16 to my knowledge, I believe it's all day long and</p> <p>17 there's not a differentiation there.</p> <p>18 Q Got it. So for Traders Global,</p> <p>19 if one of their customers is assigned a scalping</p> <p>20 profile, that delay is in effect 24 hours a day</p> <p>21 for that customer, right?</p> <p>22 A That would be my understanding.</p> <p>23 Q Got it, got it, got it, got it.</p> <p>24 So what's the most common profile that customers</p> |
| <p style="text-align: right;">Page 94</p> <p>1 A Yes, correct.</p> <p>2 Q All right. And you said that</p> <p>3 that was to prevent them from taking advantage</p> <p>4 of MetaTrader?</p> <p>5 A Yeah. I can elaborate on that.</p> <p>6 Q Please.</p> <p>7 A So, yeah, the MT4 server does</p> <p>8 get a little overloaded. And so sometimes during</p> <p>9 fast-moving quotes around news or it could be</p> <p>10 maybe there's an issue from your pricing provider</p> <p>11 such as CDO where, yeah, imposing a delay on the</p> <p>12 order does appear to help get -- I don't know if</p> <p>13 I'd use the term truer market execution but make</p> <p>14 sure they're not taking advantage of stale rates.</p> <p>15 A lot of these clients will use</p> <p>16 trade robots. They're referred to as expert</p> <p>17 advisers per MT4, and a lot of times these are</p> <p>18 configured to compare to third-party pricing and</p> <p>19 to try to take advantage of -- as we've been over</p> <p>20 a lot of these, orders are getting internalized in</p> <p>21 the MT4 platform. So they're not really getting</p> <p>22 price verification or anything like that by</p> <p>23 getting sent to an LP. So, yeah, it's to, yeah,</p> <p>24 kind of help make sure that they aren't capturing</p> | <p style="text-align: right;">Page 96</p> <p>1 have on the live server?</p> <p>2 A I'm not sure off the top of my</p> <p>3 head but if -- let me see the profile you listed</p> <p>4 here again. Okay. So not in this list, there is</p> <p>5 a default profile. It's kind of the way we pulled</p> <p>6 it. So basically if you see a login that's not</p> <p>7 in this list here, but they're in like the users</p> <p>8 table or MT4 trades table, they will process</p> <p>9 through like a default profile. It's just like</p> <p>10 the default execution settings. I would guess</p> <p>11 that that's the most common because that's where</p> <p>12 clients default to. But I could also, you know,</p> <p>13 probably throw a pivot table over here and see,</p> <p>14 you know, which one has the highest count for --</p> <p>15 Q Oh, you know what. Yeah, sorry</p> <p>16 to interrupt. We'll worry about the pivot tables.</p> <p>17 I just wondered if you knew off the top of your</p> <p>18 head from generating those daily reports.</p> <p>19 So it sounds like maybe this</p> <p>20 Exhibit 11 is missing a profile that is present</p> <p>21 on the live server and that profile is the default</p> <p>22 profile, is that right?</p> <p>23 A Yeah, that sounds like -- I believe</p> <p>24 the parameters for it should still be in that</p> |

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| <p style="text-align: right;">Page 97</p> <p>1 additional risk profiles table. But like 2 basically the logic of this risk profiles table 3 is to pull like explicit assignments in the 4 bridge. And so by default I don't think it -- 5 you know, if there's no assignment -- like in 6 the reporting logic it says is there no assignment 7 in risk profiles. If so, assume their default. 8 And so, yeah, I don't know if that -- that logic 9 doesn't look like that's available here, but that 10 default risk profile should be in that risk 11 profiles table. That's -- I believe it's 12 Exhibit No. 12. 13 Q Got it. So you want to get to 14 Exhibit 12 and I want to get there too. So 15 it sounds, though, like for Traders Global's 16 customers, if they're assigned to a profile, 17 that profile is one of the five we see in 18 Exhibit 11, you know, 100%STP, 30%STP, Flat 19 Scalping, Scalping and Scalping 2, right? 20 A Yes, correct. 21 Q And there are some customers 22 that aren't assigned to any of those profiles. 23 They don't have a profile. They just get whatever 24 default slippage and delay settings are under</p> | <p style="text-align: right;">Page 99</p> <p>1 Q And for the people on the 30%STP 2 profile, they're 30 percent trading against 3 Traders Global and 70 percent trading against -- 4 no, no, let me do it again. Thank you. For the 5 customers that are on the STP profile, they are 6 30 percent trading against CDO Markets and 7 70 percent trading against Traders Global, 8 is that right? 9 A Yes. 10 Q Got it. So you talked about 11 before the idea that the customers on the 12 100%STP profile are traders that are consistently 13 profitable, is that right? 14 A It's ultimately Traders Global 15 that, yeah, would assign that to them. But 16 I would assume that that's the reason for their 17 doing that, is they expect them to make money. 18 Q Got it. So do you have a sense 19 of how customers are able to consistently make 20 money? 21 A I would just say they have a better 22 trading strategy. But, yeah, I mean, it would 23 ultimately come down to, yeah, risk management and 24 trading, yeah, intelligently I guess.</p> |
| <p style="text-align: right;">Page 98</p> <p>1 the default settings? 2 A Yes, correct. 3 Q And that just made me realize that 4 I missed flat scalping. What's flat scalping, 5 please. 6 A I'm actually unfamiliar with that 7 profile. Yeah, I do not know. 8 Q Got it. All right. So to your 9 knowledge, do customers of Traders Global know if 10 they've been assigned to one of these profiles? 11 A I don't believe they would have a way 12 of seeing that, but we also have no correspondence 13 with their customers. 14 Q Got it. All right. So is 15 this right? If a customer is on the default 16 profile, on the scalping profile 1 or 2 or on 17 the flat scalping profile on that live server, 18 the customer's trading against Traders Global, 19 is that right? 20 A Yeah, I think that's fair to say. 21 Q And if a customer is on the 22 100%STP profile, that customer's trading against 23 CDO Markets, correct? 24 A Yeah, I think that's accurate to say.</p> | <p style="text-align: right;">Page 100</p> <p>1 Q Got it, got it, got it. 2 MR. BURDEN: Matt or Beth, do you 3 have any on Exhibit 11 or shall we move 4 on to Exhibit 12? 5 MS. STREIT: I do not. 6 MR. EDELSTEIN: I do not. 7 BY MR. BURDEN: 8 Q All right. Would you please, 9 Mr. Chichester, turn to CFTC Exhibit 12 and 10 open her up and let me know when you can see it, 11 please. 12 A Okay. I have that up now. 13 Q All right. So Exhibit 12 is the 14 riskprofiles -- just one word, no underscore -- 15 file from the Traders Global MetaTrader 4 live 16 server. 17 A Um-hmm. 18 Q Do you recognize this document, 19 Mr. Chichester? 20 A Yes, I do. 21 Q All right. What does it show 22 generally, please. 23 A Yeah, so this shows what the risk 24 profile settings are. I apologize that it can</p> |

Page 101

1 be a little bit messy to look at. It's just
2 how our systems dump it. But it shows -- sorry.
3 I accidentally minimized the file. I have trouble
4 clicking. But, yeah, it shows what the -- like
5 100% is at the top. It shows what the actual
6 execution settings are. And if there's ever
7 been like an adjustment made to it, that's what
8 that mod date is and it shows like what the most
9 recent settings are. And that shows like kind
10 of all the different execution parameters that
11 get configured in that execution profile.
12 **Q Got it. And who does this configuring**
13 **to the profiles, please.**
14 A We do it on behalf of Traders Global,
15 but they -- we have them send us an email with the
16 settings they would like.
17 **Q Yeah, I've seen those emails.**
18 **I know what you're talking about. Now, you'd**
19 **mentioned before, you made reference to the**
20 **bridge. What is the bridge, please.**
21 A When I refer to bridge, that
22 would be I believe referred to as Nexus in the
23 rest of these documents. But it's ultimately --
24 **Q Got it.**

Page 102

1 A Yeah, sorry.
2 **Q So the bridge server is the Nexus**
3 **server, right?**
4 A Yeah.
5 **Q And the bridge server is really**
6 **what allows iS Risk on behalf of Traders Global**
7 **here to make changes to customer risk profiles,**
8 **right?**
9 A Correct, and they do have access
10 to it as well. But with the way they operate
11 and their traveling they, yeah, kind of try to --
12 or have us do some of the changes for them since
13 they're not always near a computer or whatever
14 their reasons are.
15 **Q Got it. And those bridge servers,**
16 **you testified you understand that they are in**
17 **London, is that right?**
18 A Yes.
19 **Q And when iS Risk is making changes**
20 **and logging into the bridge servers, they're doing**
21 **that from Ada, Michigan, right?**
22 A Yeah, correct. There is a UI
23 that we log into and that kind of does all the
24 routing. Like we're not pulling up a remote

Page 103

1 session and, you know, going into the computer.
2 There's a GUI that can be logged into that, yeah,
3 automatically connects to that.
4 **Q Got it. And the application that**
5 **runs that GUI, where does that reside, please,**
6 **server-wise.**
7 A It should be in the same location
8 as the Nexus server. But, yeah, that's a little
9 bit beyond my understanding how the web link and
10 everything like that works.
11 **Q All right. Well, let's take some**
12 **time, if we could, please, with the risk profile**
13 **parameters we see in Exhibit 12. And I would like**
14 **to start, if we could, please, let's start with**
15 **Scalping 2. So ...**
16 A Yeah. Was there a particular row
17 in the document I could reference because this
18 does log every change. So that would be helpful
19 for me so we're looking at the same thing.
20 **Q Yeah, thank you. So let's look**
21 **at Row 252, and that's the Scalping 2 profile**
22 **with a mod date of October 14, 2022. And if you**
23 **want to just get to this a lot easier, you can**
24 **always just sort on Scalping 2 and then filter**

Page 104

1 **by mod date to the most recent one.**
2 A Your instructions were good. I have
3 it up, so I think we're aligned right now.
4 **Q Great.**
5 **MR. BURDEN:** All right. Matt,
6 I hate to put you on the spot, but could
7 I prevail upon you as the guy who knows what
8 he's doing to walk through the various
9 parameter settings with Mr. Chichester?
10 **MR. EDELSTEIN:** Sure.
11 **FURTHER EXAMINATION**
12 **BY MR. EDELSTEIN:**
13 **Q You know what. It might be easiest,**
14 **Mr. Chichester, if you don't mind, if you could**
15 **walk through them one by one yourself.**
16 A Okay, yeah. I do apologize,
17 a bit messy to look at. And I don't look at
18 this that frequently, but I can tell kind of
19 what's going on here. So how the bridge works
20 is there's exceptions you can set for like if
21 you wanted to have different execution settings
22 for different instruments or different volumes.
23 That's when you see exception enabled equals true
24 at the very top, like just kind of going through

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| <p style="text-align: right;">Page 113</p> <p>1 for example, to buy and then there's this slip 2 applied and essentially you get a worse price 3 than that best offer, how do you make sense of 4 that? I mean, don't you -- you're seeing the 5 best offer price on your screen and then you're 6 getting executed at a worse price. Don't 7 customers notice that? 8 A Ultimately I don't interact with 9 the customers, but I would assume if they've been 10 knowledgeable about the industry and it's a, you 11 know, like a large order, for example, they'd 12 understand that there might be inherent slippage 13 involved. But I think ultimately that would 14 come down to like the terms and conditions on 15 the websites or the, yeah, the broker themselves 16 kind of letting the clients know how the execution 17 should be expected. 18 Q And these time values, OpenDelay, 19 CloseDelay, could you help me understand what 20 those are? 21 A Yeah, so that time is in seconds. 22 So .35, if you scroll down to the bottom window, 23 kind of like the area we're looking at right now, 24 would refer to like a 350-millisecond delay on the</p> | <p style="text-align: right;">Page 115</p> <p>1 I might do that. 2 A Yeah. I think the best way would 3 be to look at like the modify date. Like that's 4 right before that trade was executed like based 5 off of this file and, you know, look at their -- 6 either their open time or close time in the 7 MT4 trades table for that. 8 Q And then you'd have to factor in the 9 size of the trade and the symbol? 10 A Yeah, or there's numerous exceptions 11 but I -- yeah, from looking at this, it looks like 12 Traders Global's primarily using just the symbol 13 settings and, yeah, also the volumes for most of 14 the criteria. But there is, you know, other rules 15 that can be applied. 16 MR. BURDEN: Got it. Well, I tell 17 you what. We're coming up on lunchtime. So 18 what I would like to do is to sort of try to 19 summarize what we've learned from you so far, 20 Mr. Chichester, relating to these profiles in 21 a broad way. And I think we should take a 22 lunch, a reasonable lunch, like an hour, and 23 then we can maybe work through some of these 24 parameters in the spreadsheets and then after</p> |
| <p style="text-align: right;">Page 114</p> <p>1 order. 2 MR. EDELSTEIN: Okay. Ash, if you 3 want to jump back in. 4 MR. BURDEN: You know what I think 5 would be helpful -- 6 BY MR. EDELSTEIN: 7 Q You know, before you do, let me 8 just ask you, Mr. Chichester, on the default 9 profiles there don't seem to be any exceptions 10 that relate to size just as I'm scrolling down 11 across the, you know, the various rows where it 12 was updated in time. Why is that? 13 A Ultimately it's up to Traders 14 Global's discretion. But if you would allow me 15 to make an assumption, from my correspondence with 16 them I feel they prefer to give clients like the 17 benefit of the doubt until they prove otherwise 18 for their default execution. 19 Q Looking at these now, I actually do 20 see some trade filters for size greater than or 21 equal to. So if you wanted to go through customer 22 trades and figure out exactly what if any amount 23 of time delay and slippage was applied, you would 24 have to -- well, maybe you could tell me how</p> | <p style="text-align: right;">Page 116</p> <p>1 lunch revert back to with maybe some more 2 focused questions about those parameters. 3 Does that sound fair to everybody? 4 MR. KELLY: Yeah. Just for our 5 travel purposes, Ashley, do you have a sense 6 of, generally speaking, do you think we have 7 a few more hours to go? Do you think it's -- 8 MR. BURDEN: You guys are doing great. 9 I think at this pace we could, even assuming 10 a break until 1, we could easily be done by 11 4 and if you -- and we may even be done by 3. 12 Does that work for everybody's travel? 13 MR. KELLY: Yeah, that should work. 14 Thank you. 15 MR. BURDEN: Of course. All right. 16 FURTHER EXAMINATION 17 BY MR. BURDEN: 18 Q So let me try to summarize what 19 we know here in a broad and general way and 20 we can drill down after the break. Okay. So, 21 Mr. Chichester, Traders Global apprised these 22 profiles to its customers' trading, right? 23 A Yeah, correct. 24 Q And there's really two things that</p> |

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| <p style="text-align: right;">Page 117</p> <p>1 these profiles do. The first is that they can 2 impose a delay on the execution of the customer's 3 order and the second thing they can do is impose 4 slippage on customer orders. Have I got that 5 right? 6 A Yes, that sounds correct to me. 7 Q All right. So other than delay 8 and slippage, is there anything that these 9 profiles do to the customer's order that affects 10 its execution? 11 A Off the top of my head, there 12 is -- so MT4 by default doesn't process like 13 gaps over the weekend properly. That's like 14 part of the point of like having a bridge. Like 15 it would be possible to have a limit order like 16 filled at like -- I'm trying to think of an 17 example. Let's say Eurodollar closes at 110 18 for the weekend and you have a limit order to 19 be executed at 110-15. It market gapped to 20 like 113. MT4 by default like doesn't have 21 good functionality and it would probably just 22 auto-fill it at a price that's kind of mid gap. 23 And so there is -- like part of the point of the 24 bridge is to like make sure market open processing</p> | <p style="text-align: right;">Page 119</p> <p>1 it's slippage that I have really the most 2 questions about and I think we can sort of cover 3 it broadly. So for these profiles, you know, when 4 slippage is imposed, what does slippage do to 5 a customer's order? 6 A It makes a price adjustment 7 and it does it to the last decimal quoted from 8 the price, and then that value is how the price 9 gets adjusted. And, you know, if it's a positive 10 amount, it should, you know, if it's a sell shift 11 that price down. If it's a buy order or an offer 12 order, it should shift that price up. And, yeah, 13 you don't have to differentiate between buy or 14 sell. The bridge knows kind of what direction 15 to move it. 16 Q Got it. So if slippage is applied to 17 a customer's order and that customer sells, then 18 that customer will sell at a lower price than the 19 customer entered the order for, is that correct? 20 A Yeah, that's correct. 21 Q And if you sell and you sell 22 at a lower price, that's a worse price than what 23 you had wanted, right? 24 A Yes.</p> |
| <p style="text-align: right;">Page 118</p> <p>1 works correctly. But other than that, I mean, 2 there is -- you know, you can specify time-of-day 3 exceptions and other things like that. But as you 4 described, like I do believe you described the 5 bulk of the functionality Traders Global is 6 currently using appropriately. 7 Q Got it. So as far as Traders 8 Global is concerned, the two aspects of these 9 profiles that they really implement are slippage 10 and delay, correct? 11 A Yep. And then the -- for the STP 12 ones, you know, the 100 percent or 30 percent, you 13 know, cover for that. But, yeah that's accurate 14 to me. 15 Q Got it. And that's an important 16 distinction. So the STP profiles, at least for 17 the STP portion of the trade, no slippage or delay 18 is applied, correct? 19 A Yeah, I'd have to look at the 20 profile but I do suspect that there's no delay 21 and it's just a, yes, just a typical STP order on 22 100 percent. 23 Q Got it. So the delay, you know, 24 we've really -- we've covered delay. I think</p> | <p style="text-align: right;">Page 120</p> <p>1 Q And so for customers that are 2 buying an instrument, if slippage is applied 3 to their order, then the customer pays more for 4 what they bought than they had specified in their 5 order, is that right? 6 A Yeah. I would define that as 7 a worse price but, yes, I believe we're talking 8 about the same thing. 9 Q Got it. So if the customer is 10 buying -- so really if the customer is buying 11 or selling, if slippage is imposed the customer 12 is getting a worse price than they specified in 13 their order, is that correct? 14 A Yes, that's correct. 15 Q Okay. Why? 16 MR. EDELSTEIN: Can I interrupt? 17 Can I -- sorry to interrupt you, Ash, but 18 I'm just curious about this. 19 FURTHER EXAMINATION 20 BY MR. EDELSTEIN: 21 Q Can you enter both a limit order and 22 a market order? 23 A The MT4 platform allows market orders, 24 limit orders and stop orders.</p> |

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| <p style="text-align: right;">Page 121</p> <p>1 Q So can slippage only be applied to</p> <p>2 a market or stop order or can it also be applied</p> <p>3 to a limit order?</p> <p>4 A There's the ability I believe to</p> <p>5 apply it to any order type, which you can specify.</p> <p>6 I believe looking at some of these with Traders</p> <p>7 Global, it's likely only applied to market orders.</p> <p>8 Q And where do you -- how do you</p> <p>9 make that distinction? Like where within this</p> <p>10 xml field is the part about the type of order?</p> <p>11 A Yeah. Like if you see the</p> <p>12 section near the bottom where it like says</p> <p>13 limitPercentImprove, that would be like the</p> <p>14 settings applied to the limits. There should</p> <p>15 be a similar syntax entry for stop where it</p> <p>16 says stop in here as well. Yeah, like there's</p> <p>17 a stopSlipTol value. But, yeah, it should have</p> <p>18 basically limit or stop in the name. Like there's</p> <p>19 a stopFill field, if you look at that, and it says</p> <p>20 AtRequest. And that would just mean they get</p> <p>21 their actual, you know, stop amount that they</p> <p>22 requested.</p> <p>23 So, yeah, actually here's a better</p> <p>24 section to explain it. So there's OrderManagement</p> | <p style="text-align: right;">Page 123</p> <p>1 FURTHER EXAMINATION</p> <p>2 BY MR. BURDEN:</p> <p>3 Q All right. So do you have any</p> <p>4 understanding of why Traders Global, you know,</p> <p>5 wants to apply slippage to customer orders, like</p> <p>6 why that's a good thing for Traders Global to do?</p> <p>7 A To the best of my knowledge,</p> <p>8 I believe the main reason is just because if</p> <p>9 they were to send a \$1 million Eurodollar trade</p> <p>10 to CDO, for example, there would likely be some</p> <p>11 slippage incurred on that order. And so they're</p> <p>12 trying to set up their internalized B book</p> <p>13 execution rules to best simulate how a trade</p> <p>14 would execute if (inaudible) a market is one</p> <p>15 way to determine it or, you know, on STP.</p> <p>16 Q And what's your basis for that</p> <p>17 understanding?</p> <p>18 A It's not uncommon for the industry</p> <p>19 for brokers who take risk or internalize orders</p> <p>20 with MetaTrader to have volume bands to simulate</p> <p>21 depth of market. The goal is for the platform</p> <p>22 if they're being internalized to be treated the</p> <p>23 same as if they were all STP.</p> <p>24 Q So let me -- so why is it then</p> |
| <p style="text-align: right;">Page 122</p> <p>1 limitFill and then there's, yeah, the stopFill,</p> <p>2 like those two syntaxes. And if it says AtRequest</p> <p>3 it, you know, it just means they get the price</p> <p>4 that they specified. But if that value was</p> <p>5 different, then that would potentially be the</p> <p>6 exception that, yeah, where it would be executed</p> <p>7 differently.</p> <p>8 MR. KELLY: And just to clarify</p> <p>9 for the record, you're reading from Row 253?</p> <p>10 THE WITNESS: Yeah, we jumped down</p> <p>11 to Row 253 for this, yes.</p> <p>12 MR. KELLY: Okay.</p> <p>13 BY MR. EDELSTEIN:</p> <p>14 Q Is there a document that defines all</p> <p>15 of these values within the xml field?</p> <p>16 A I would have to check with the</p> <p>17 bridge team. I'm not aware of that. I don't do</p> <p>18 anything with documentation.</p> <p>19 MR. EDELSTEIN: Okay. Ash, that</p> <p>20 may be something we'd want to follow up on.</p> <p>21 MR. BURDEN: Yeah, we'll do</p> <p>22 that offline. Thanks, Matt, and thanks,</p> <p>23 Mr. Chichester.</p> <p>24</p> | <p style="text-align: right;">Page 124</p> <p>1 that there are multiple profiles like for the</p> <p>2 internalized trades? We see there's a default</p> <p>3 one, which I guess is not technically a profile.</p> <p>4 But this Flat Scalping, Scalping and Scalping 2,</p> <p>5 these profiles have different parameters for delay</p> <p>6 and for slippage, correct?</p> <p>7 A I'd have to look at them but, yes,</p> <p>8 I believe so. Otherwise, yeah, there's probably</p> <p>9 not a point of having different profiles.</p> <p>10 Q So why then, if you know, does</p> <p>11 Traders Global have multiple profiles if the</p> <p>12 goal is simply to make this simulated trading</p> <p>13 environment more closely resemble the execution</p> <p>14 that a customer would get if they were trading</p> <p>15 against, say, CDO Markets?</p> <p>16 A I'm unsure, but I would assume</p> <p>17 that Traders Global is more concerned with some</p> <p>18 customers than others. But, yeah, it's ultimately</p> <p>19 up to their discretion. I'm not 100 percent sure.</p> <p>20 Q Got it. So it sounds like that</p> <p>21 you're -- you think that Traders Global wants</p> <p>22 these profiles to be set for certain traders so it</p> <p>23 looks like it would if they're executing against</p> <p>24 CDO. Have I got that right?</p> |

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| <p style="text-align: right;">Page 125</p> <p>1 A Yes, I believe the intention 2 is for the platform and internalized orders 3 to match STP execution. So accounts on STP are 4 treated, you know, as close as they could to the 5 same as the internalized orders. 6 Q Got it. So do the results for 7 customers on these various profiles match the 8 results for customers on STP? 9 A I have not looked into that closely. 10 Q What do you think? 11 A I would guess it's similar, but that 12 would just be me speculating. 13 Q Okay. To your knowledge, has 14 anybody at -- well, I should just ask you this. 15 Has anybody at Traders Global explained to you 16 that that is the reason why they want these 17 profiles applied, to make it more closely resemble 18 execution against CDO Markets? 19 A Yeah, I believe at some point that 20 was communicated over Skype. They usually -- 21 I feel like they give us some form of rationale 22 for the change. I mean, not always but especially 23 with the volume tiers, I believe that was 24 communicated by Josh over Skype, the rationale</p> | <p style="text-align: right;">Page 127</p> <p>1 to be profitable. So there wouldn't be much merit 2 in a delay there. 3 Q And that's because a delay would 4 handicap a customer trading, correct? It would 5 result in the customer getting possibly worse 6 prices than what they wanted? 7 A I would say with the delay there's 8 also perhaps equal possibility they get a better 9 price too. It's not asymmetric that way. It's 10 just, yeah, an inherent delay to the fill. So, 11 yeah, I would say it goes both ways. 12 Q Okay. Has iS Risk done any sort 13 of statistical analysis of that to see if the 14 delay sort of has equal force in both directions, 15 positive and negative? 16 A We have not. I guess I should say 17 if it has been done, I wasn't involved in it but 18 I am not aware of that. 19 Q There you go. All right. Well, 20 it sounds too like -- well, slippage is applied 21 in profiles on a tiered basis. Have I got that 22 right? 23 A Yes. I mean, in the current 24 Scalping 2 profile in Row 253, yeah, that is</p> |
| <p style="text-align: right;">Page 126</p> <p>1 behind it. 2 Q Got it. So is there any -- to 3 your knowledge, does Traders Global by itself 4 or with the assistance of iS Risk, do they try to 5 figure out, you know, what the right slippage or 6 delay is to get their orders, you know, executed 7 as if they were, you know, being executed against 8 CDO Markets? 9 A I'm not sure, but I would assume 10 that's what they're trying to do. 11 Q Okay. Now, the delay function, though, 12 there's no delay if a customer is executing 13 against CDO Markets, right? 14 A I'd have to look at the profile, 15 but I would assume there's no delay. Yeah, I 16 don't think there'd be a good point in it. 17 Q Yeah. That would be crazy, right? 18 A (Shrugging). 19 Q You wouldn't want to delay 20 a customer's execution against a liquidity 21 provider if that customer was losing your money, 22 would you? 23 A Yeah. I mean, I would assume if 24 you are sending them to STP, you're expecting them</p> | <p style="text-align: right;">Page 128</p> <p>1 the case. Yeah, as you see, there has been 2 changes made. That's why the row above looked 3 different. But, yeah, in this specific example, 4 yep. 5 Q Got it. And those tiers are by order 6 volume, right? 7 A Yes, correct. 8 Q So is it fair to say that, generally 9 speaking, for a customer on one of these scalping 10 profiles that he or she will get more slippage if 11 their order is bigger? 12 A Yes, I think that's a fair assumption. 13 MR. BURDEN: Okay. Matt or Beth, do 14 you guys have any questions or shall we break 15 and drill down on some of these parameters 16 for the afternoon session? 17 MR. EDELSTEIN: I think it's time 18 to break. 19 MR. BURDEN: Got it, okay. Well, 20 I'll tell you what. It's 12. Could we come 21 back at 1:15? Is that too long a break for 22 you? 23 MR. KELLY: No, that should be fine. 24 MR. BURDEN: All right. Off the</p> |

Page 145

1 a markup is like the price -- like so with the
2 price feeders, you take the price that's incoming
3 and you can choose to add a markup per instrument.
4 That's the way if you STP a trade you kind of make
5 the money difference between the better price
6 you're receiving at the LP and what the client
7 is receiving. And so, yeah, that's the context
8 I understand it as. But in the context of like
9 a bridge execution, I'm not sure what that is.
10 **Q Okay, that makes sense. For the**
11 **STP orders, does TGG put a markup on that price**
12 **feed they get from CDO?**
13 A Yes, they do. And that -- but the --
14 that shows up in the price that like the clients
15 receive on the platform. So the market watch I've
16 referred to previously, they will see -- like
17 that's the price they will see. So it kind of --
18 it happens before the MT4 platform shows the
19 price.
20 **Q I see. So if we were looking at the**
21 **parameters for the STP profile, the feed_markup**
22 **there would say false?**
23 A I can't say for certain, but I do
24 know that they do -- I think they do mark up some

Page 146

1 instruments. It's definitely an available feature
2 for our price feeders.
3 **Q Well, let me ask you this then before**
4 **we continue on with Exhibit 22, Mr. Chichester.**
5 **Where in the databases could we find that markup**
6 **reflected on the price feed for the STP orders?**
7 A That's a good question. I know
8 like when -- because I have put together reporting
9 in the past for showing, you know, kind of what
10 the price difference was. In the MT4 trades table
11 there is a 1015 account, like 1-0-1-5 on their
12 live server, and that houses all the actual like
13 LP fills or the CDO fills that Traders Global
14 has received and comparing that to the client's
15 price is a good way to see the price difference.
16 Similarly, there is something -- there's an
17 account that's 5000 in the MT5 deals table --
18 and when I say account, I mean login to be
19 specific -- and those are bridge accounts that
20 we -- our bridge creates so you can see what your
21 actual LP fill is. And to clarify when I say LP,
22 it should be CDO in most of these cases. And for
23 MT4 specifically in that 1015 account, there is
24 a comment field in MT4 trades and that has the

Page 147

1 syntax. It's C ticket number underscore login.
2 That's the syntax there. And so it will show
3 what ticket that corresponds to.
4 And so typically me as a report
5 guy, that's what I often will reference. We
6 work with some brokers who are 100 percent STP'd.
7 And, you know, like for reporting they will want
8 to know how much, you know -- they call it markup
9 PL or whatever. But they want to know, you know,
10 ultimately what is the price difference they're
11 receiving between client and what they get at the
12 LP, and so that's what I personally use. Yeah,
13 I'm not sure like what -- with what we provided
14 you would show that. To be honest, I'd have to
15 look through the addendum. But, yeah, that's how
16 I do it from like a reporting aspect.
17 **Q All right. Well, thank you. That's**
18 **tremendously enlightening and it makes sense.**
19 **I'm sure there's an easier way to do it, to find**
20 **that spread as we would call it, than to compare**
21 **all the executions. There's got to be a setting**
22 **somewhere. But if you don't know, I won't pursue**
23 **it further. Though I should ask you,**
24 **Mr. Chichester, you know, are you aware off**

Page 148

1 **the top of your head what markup Traders Global**
2 **applies to the price feed that STP customers get?**
3 A I do not. But as you were saying,
4 there is a price feeder where there's like a file
5 that it's all loaded into. So like day-to-day
6 operations, yes, it's easy to see. It's not,
7 you know -- like I'm saying, it's not having
8 to go through a quantitative measure to figure
9 it out. It is listed there. It just might be
10 something that, yeah, we need to provide or find
11 easier access to you if we haven't already, but
12 it is definitely there in a much more reasonable
13 format. I'm just not sure if it's been provided
14 or really where it gets stored.
15 **Q Okay. Well, thanks, Mr. Chichester.**
16 **We won't bother you further with details on that,**
17 **but I think we'll probably want to follow up on**
18 **that. All right, all right, all right, all right.**
19 **So you said -- we were just talking**
20 **about feed_markup. And then this percent 100,**
21 **what's that, please.**
22 A That -- if they were on 100%STP,
23 that's where that would matter. But since it's
24 enabled to set to false, it's just kind of a

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| <p style="text-align: right;">Page 169</p> <p>1 a \$2,000 initial deposit and you lost, you 2 know, 5 percent of that, that would initiate 3 a breach and then the account would be switched 4 to read-only and then you're done trading due to 5 violating their terms and conditions. And I do 6 believe all those breach amounts and things like 7 that are listed on the website for the different 8 offerings. 9 Q Got it, got it, got it. So this breach 10 max drawdown, who populates that? 11 A That's done by another application. 12 It was previously Forest Park, but for Traders 13 Global I believe we may have developed one for 14 them that they are currently using. But, yeah, 15 it's a different application that monitors it. 16 Q Got it. And where does that 17 application reside, please, at least the currently 18 utilized application. 19 A I'm not sure but I would assume 20 it's in a similar hosting environment, like LD5, 21 but honestly I do not know. 22 Q Got it. So when the customer's 23 account equity is assessed relative to this 24 drawdown rule, its account equity includes open</p> | <p style="text-align: right;">Page 171</p> <p>1 designation reflected in Exhibit 16 anywhere? 2 A No. But in the MT4 users table -- 3 let me see what exhibit that is. I believe 4 that's Exhibit 5. There is a read-only column 5 where if it says read-only enable equals 1, that 6 implies that the account has been switched to 7 read-only. But that won't -- it won't show in 8 the trades table if the account is on read-only 9 or not. 10 Q You're so good. Okay. So when 11 it says in Exhibit 16, our MT4 trades table, 12 when it says under Comment max drawdown, you 13 know, you've got a bunch of other data in that 14 row, right? You've got Open_Time. You've got 15 price information. All of that is sort of frozen 16 in time at the moment the breach is detected by 17 the system, is that right? 18 A Yes. 19 Q So is there anywhere in Exhibit 16 that 20 reflects a customer's account equity? 21 A No, I don't believe there is. 22 The -- both the balance and the equity are both 23 in the MT4 users table so that would be separate. 24 But, yeah, they're not in the trades table for</p> |
| <p style="text-align: right;">Page 170</p> <p>1 trades as well as closed trades, is that right? 2 A Yes, that's my understanding. 3 Q So like in order to find a customer 4 whose account equity has declined below the 5 drawdown limit, like some computer's just got 6 to be working like 24 hours a day every single 7 second, right? 8 A Yeah, I believe that's how the 9 application that monitors it does it. I believe 10 it is ingesting ticks to check that. 11 Q Got it. And when a drawdown is -- 12 a breach of the drawdown limit is detected by 13 this software program, you know, what happens 14 next? Is the account automatically suspended or 15 does it go to Mr. Dentrinos or does somebody at 16 iS Risk have to, you know, go find the account? 17 Like what happens when a breach of the drawdown 18 limit is detected? 19 A Yeah. The positions are all 20 automatically closed with the comment breach 21 getting put in them, and then the account's 22 switched to read-only so they can't trade any 23 longer. 24 Q Got it. So is that read-only</p> | <p style="text-align: right;">Page 172</p> <p>1 that. 2 Q Got it. So this is in no way a 3 complaint. But so, I mean, if we were looking 4 at Exhibit 5 at the MT4 users data and we were 5 looking at the account equity and we were looking 6 at the balance, that would be a customer's account 7 equity and balance frozen in time when you guys 8 generated that report? 9 A That's correct. 10 Q All right. So we've got another -- I 11 want to direct your attention, if I could, please, 12 to Column P -- 13 A Yep. 14 Q -- in Exhibit 16, and it's titled 15 Commission. 16 A Um-hmm. 17 Q What does that reflect, please. 18 A Yeah, no problem. It's -- so 19 this is configured on the group level. It's 20 done in the MT4 admin. And some brokers, they 21 charge clients like one example is \$6 per lot 22 traded. And it just automatically gets stamped 23 into the trade upon opening and it's, you know, 24 it's kind of like Scottrade advertises like \$8</p> |

Page 173

1 trades. It's basically their way of like
2 kind of charging the client a commission amount.
3 Many brokers in the industry do that instead
4 of having a spread markup. So they'll advertise
5 much tighter spreads, but then they will charge
6 a commission amount that's based on volume and
7 that's where that gets applied.

8 **Q I understand. So this commission**
9 **field in Exhibit 16 appears to be -- I mean, it's**
10 **populated. The only place it isn't populated is**
11 **if there's like an initial deposit, am I right?**

12 A Yeah. It's for basically Commands 0
13 and 1 only it should be, I would assume. But,
14 yeah, that's not a relevant column for command
15 equals 6 for balance adjustments.

16 **Q Got it. So what this is reflecting,**
17 **what Column P Commission is reflecting in**
18 **Exhibit 16 is that Traders Global is applying**
19 **commission to customer orders, correct?**

20 A I don't know off the top of my head,
21 but if you see a value there then, yes, that means
22 they are charging a dollar amount per lot traded.

23 **Q Okay. So I'm going to just**
24 **share my screen because it's just easier to**

Page 174

1 **do. So if you look at like Row 47, you know, for**
2 **some Ticket 363, somebody with a login No. 1221,**
3 **they're trading cable?**

4 A Um-hmm.

5 **Q They get their prices and there's**
6 **a commission and it says negative 2.4. So what**
7 **does that mean for this trade, please.**

8 A Yeah. That means that there was
9 basically a negative -- or a \$2.40 cost to open
10 the trade. And if you look at like Column F for
11 the volume, you'll see all the values are the same
12 because these are set on a per lot basis. So,
13 yeah, you would definitely -- if you see, the
14 volume's 50. I would expect all of them to have
15 the same commission charge. Similarly, you can
16 kind of see where that scale is for like -- yeah,
17 you could see how 100 volume is, you know, \$3 and
18 50 volume is, you know, \$1.50.

19 **Q So do they get you coming and**
20 **going? Does Traders Global -- let me rephrase**
21 **that question. Does Traders Global set MetaTrader**
22 **4 so that it imposes a commission on opening as**
23 **well as closing trades?**

24 A No, MT4 only has the functionality

Page 175

1 to charge it once and it does it on the open
2 of the ticket. So if you're looking at positions
3 that are currently open, that would also -- the
4 easiest way to tell that is it's going to have a
5 close time of 1970. You will see the commission
6 value there. MT5 does have the functionality
7 where you can choose to charge it once, both
8 sides or however you want. It's kind of their,
9 you know, trying to upgrade the platform. But
10 MT4, it only allows you to charge it one time and
11 it's on the opening of the trade.

12 **Q Got it, okay. And the commissions**
13 **are all reflected as a negative number and that's**
14 **because they're a charge to the customer's account**
15 **equity, is that correct?**

16 A Yes, that's correct.

17 **Q So what is -- I mean, if you know,**
18 **what is Traders Global charging a commission for**
19 **when they're the counterparty to all of these**
20 **trades?**

21 A My assumption would be -- and,
22 once again, I'm not familiar with like their
23 spread markup. But I would assume that that
24 spread markup is probably pretty low and that's

Page 176

1 just like their -- like that's how they prefer
2 to charge the client instead of marking up the
3 spread.

4 **Q Well, Traders Global doesn't have**
5 **a spread markup, do they?**

6 A I'm not sure without checking
7 the price feeder settings. But that is kind
8 of commonplace in the industry if they aren't
9 marking up a spread, so they're showing tighter
10 pricing to charge a commission on the trade
11 instead.

12 **Q Well, what I'm getting at is**
13 **for customers whose trades are internalized**
14 **by Traders Global -- which is most customers,**
15 **right?**

16 A Yes.

17 **Q -- there's no spread for Traders**
18 **Global to charge, am I right?**

19 A They still execute on the bid
20 and ask on the quote board. And from their
21 feed, like the feed they get from CDO or whoever
22 they're currently pricing off of, there's like
23 a -- there's going to still be a spread there.
24 Like clients are still looking at a bid and an

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| <p style="text-align: right;">Page 177</p> <p>1 ask and there is a spread that they get executed 2 on. So I guess this is just an additional charge 3 on top of whatever spread that they're showing the 4 clients as well. 5 Q Okay. All right. So I want to 6 go back, if we could, please, for a moment to 7 the comment field. And, you know, we talked about 8 the max drawdown because that was a frequently 9 occurring comment, but there are two other 10 comments that occur with some frequency. One is 11 SL in brackets and the other is TP in brackets. 12 Do you know what those indicate? 13 A Yes, I do. That means the trade was 14 closed via stop loss. And take profit, TP, refers 15 to it as closed via take profit. If you look at 16 Columns I and J in Exhibit 16 for the MT4 trades 17 we're looking at, that's where you'll see that 18 value that was specified for what the client's, 19 yeah, stop loss and take profit they embedded in 20 their ticket was. 21 Q Brilliant. All right. So, 22 Mr. Chichester, you know, you keep using the 23 term broker, and I'm embarrassed that we've gotten 24 this far through the testimony and I haven't</p> | <p style="text-align: right;">Page 179</p> <p>1 together to do a transaction. That's the way 2 broker's commonly understood by regular folk, 3 would you agree? 4 A Yeah, I agree that the name 5 probably doesn't make a lot of sense with its, 6 yeah, general usage. 7 Q Yeah. But so, you know, in the 8 retail FX industry when somebody's talking about 9 a broker, you know, as you put it, they're talking 10 about somebody that offers a trading platform to 11 retail customers, is that right? 12 A Yes. 13 Q And that person, that broker, 14 maybe they're taking the other end of the 15 customer's trade, maybe they've got customers 16 with offsetting orders and, you know, they have 17 reciprocal book entries so they capture the 18 spread. Maybe as you described earlier in 19 testimony, they're 100%STP'g it and just taking, 20 you know, they're wetting their beak off of the 21 spread. All of those could be sort of brokers 22 in your parlance, is that right? 23 A Yes, definitely. I definitely 24 use it as a blanket term for as -- you described</p> |
| <p style="text-align: right;">Page 178</p> <p>1 sought to have you define it. Would you be kind 2 enough to define your understanding of broker, 3 please. 4 A Yeah. And I take for granted 5 some, yeah, phrases I probably use. That might 6 not be more industry commonplace but, yeah, just 7 anyone who provides a trading platform. So, yeah, 8 I would -- like in the U.S. for an example, I'd 9 consider Gain a broker or OANDA a broker. 10 Q Okay. Like FXCM, would they be 11 a broker? 12 A It's harder for them because 13 they're also like a liquidity provider. But 14 like, yeah, if they have a retail offering where 15 they allow clients to trade through a platform, 16 I would consider that a broker. 17 Q Got it. All right. I'm not trying 18 to put you on the spot here. This is more for 19 my own edification. But, you know, it seems to 20 me that the use of broker in the FX industry, the 21 retail FX industry is a bit of a misnomer, right? 22 Like if you Google broker -- no, no, no. If you 23 look up broker in the dictionary, it says 24 something like a person who puts two people</p> | <p style="text-align: right;">Page 180</p> <p>1 it very well. 2 Q Got it, thanks. Okay. So is Traders 3 Global a broker? 4 A Well, as you pointed out, there might 5 be some fallacies in my definition, but I would 6 probably generally call them one because anyone 7 who offers the MetaTrader 4 platform I'm probably 8 going to call a broker. 9 Q And why is that? 10 A Just in the way I use it for 11 phrasing, anyone who -- any company that offers 12 a trading platform that clients trade through 13 is a broker to me. 14 Q Got it. So have you ever heard 15 the term, you know, in the context of retail 16 FX trading, have you ever heard the term prop 17 shop or prop firm? Is that a term that you're 18 familiar with? 19 A Yes, I've heard that. I have heard 20 of Traders Global and companies like that referred 21 to as prop firms. 22 Q So what does that mean to you to be -- 23 what do you understand that to mean? 24 A Yeah. To me that definition would</p> |

Page 201

MR. BURDEN: Counsel, do you wish to ask any clarifying questions?

MR. KELLY: We do not. Thank you.

MR. BURDEN: All right. We're off the record.

WHICH WERE ALL THE PROCEEDINGS
HAD OR OFFERED AT SAID HEARING
OF THE ABOVE-ENTITLED CAUSE.

Page 202

1 STATE OF ILLINOIS)) SS.
2 COUNTY OF C O O K)

I, MARY MASLOWSKI, CSR, do hereby certify that I reported in shorthand the proceedings had at the remote examination under oath aforesaid, and that the foregoing is a true, complete and accurate transcript of the proceedings at said remote examination under oath as appears from the stenographic notes so taken and transcribed on the 12th day of February, 2023.

Mary M. M. M.
Certified Shorthand Reporter

